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SUBJECT: CAMBODIA: PROPOSED NIGHT SHIFT WAGE DECREASE

RANKLES UNION

**¶11.** (SBU) Summary. Prime Minister Hun Sen has asked the National Assembly to lower night shift wages from 200% of daytime pay to 130%. A vote is expected on May 17, and the Free Trade Union (FTU), a large and vocal group loosely allied with the opposition Sam Rainsy Party, has vowed to launch a general strike if the measure passes. The Prime Minister's decision comes after several failed attempts to negotiate a lower night shift wage. The FTU appears to have little support for their general strike threat, but may still attempt some sort of protest on their own. Garment factory owners strongly support the measure, which they believe could create 50,000 to 60,000 jobs in Cambodia's largest industry.  
End Summary.

Prime Minister Proposes Lower Night Shift Wage

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**¶12.** (U) Prime Minister Hun Sen recently asked the National Assembly to amend the Labor Law to set the rate for work performed between the hours of 10 p.m. and 5 a.m. at 130% of normal wages. The current Labor Law, adopted in 1997, is unclear on the issue of a night shift wage, specifying only that overtime work performed at night should be paid at 200% of the regular wage. The law does not specify what wages should be paid for regularly scheduled work at night, but in the wake of confusion about the issue, the Ministry of Labor issued a sub-decree (prakas) in 1999 declaring that all nightwork should be paid at double the usual rate. (Note: The International Labor Organization has told us that typical night shift rates in the region are 130 to 150% of daytime wages. End Note.)

**¶13.** (SBU) In practice, most industries ignore the night shift subdecree and pay workers the same or slightly elevated rates. In the garment sector, where foreign buyers force strict observance of labor standards, only a few garment factories currently operate a night shift due to the high labor cost. The Garment Manufacturers Association of Cambodia (GMAC) estimates that only 10,000 of Cambodia's 330,000 garment workers are night shift workers. One of the few factories to operate a night shift, Bright Sky, closed its night shift in October 2006 after repeated violence and labor unrest among night shift workers.

Night Shift Wages Long Contentious

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**¶14.** (SBU) The Prime Minister's action comes after several unsuccessful attempts to negotiate a night shift wage. In

2003, the Labor Advisory Committee, a tripartite body, agreed to a 130% rate. However, the contradictory sub-decree was never revoked, and when one factory attempted to institute a 130% rate, garment buyers insisted that the 200% rate specified in the sub-decree be followed. Starting in 2004, the ILO facilitated negotiations between unions and employers on night shift wages, and all parties accepted 130% as the new rate. However, final negotiations were conducted during Cambodia's clamp down on civil society leaders in late 2005, and FTU president Chea Mony was in Europe avoiding an arrest warrant at home. Chea Mony reversed his Vice President's decision and pulled the FTU out of the agreement upon his return to Cambodia in early 2006. The issue remained moribund until February 2007, when a proposal by employers was brought before the Eighth Private Sector Working Group, an ostensibly tripartite body charged with labor issues. The government co-chair of the group reportedly entertained the employer-sponsored proposal but refused to consider union demands related to health insurance, transportation and meal allowance.

**¶15.** (SBU) On May 5, the FTU announced plans to call a general strike if the proposed amendment passes. In a meeting with Poleconoff and Labor Assistant days before their announcement, current FTU President Chea Mony said that the reduction in night shift wages was a "bad omen" for unions and that the union movement would die if night shifts were widely introduced. Chea Mony stated frankly that while he was publicly pressing for night shift wages to be 140% or 150% with compensations for lodging and transportation, his real goal was to prevent the establishment of more night shifts. He worried that at a 130% wage, factories would switch large numbers of their workers to night work to take advantage of cheaper and more reliable electricity. He believes that night shift workers are more often the targets

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of violence -- both robberies on the way home and labor violence at factories -- and fears that labor disputes that occur on the night shift will be unaddressed by the Ministry of Labor's labor conciliators, who do not want to work at night. In contrast, at the same meeting, Rong Chhun, Chea Mony's close ally and the head of the Cambodian Confederation of Unions--an alliance of FTU and the teachers' union CITA -- told Emboffs that the CCU did not object to adjusting the night shift rate, but wanted a higher wage and provisions to provide for the safe transport of workers.

#### Reduced Night Shift Wage Likely to Create Jobs

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**¶16.** (SBU) Responding to the threatened general strike, the Prime Minister used a May 8 graduation speech to caution against any attempts to block the legislation, claiming that the new rate would boost employment by 200,000 and increase garment factory orders by USD 2.6 billion per year. GMAC Secretary-General Ken Loo offered more conservative numbers,

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predicting the creation of 50,000-60,000 more garment factory jobs over the next six months. Loo explained that this increase would not come from factories introducing a third shift, but rather from factories starting a second shift. Cambodian labor law allows up to two hours of overtime per day, effectively creating a standard 10-hour workday in garment factories. Most factories have avoided creating a second shift because both shifts could not have regularly scheduled overtime without incurring the steep night shift pay requirements. Loo predicts that under a lowered night shift rate, many factories will add a 7 p.m. to 3 a.m. shift, with two hours of regularly scheduled overtime lasting until 5 a.m. -- a relatively safe time in early-rising Cambodia for young, female factory workers to be returning home.

Little Support for General Strike Threat

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¶7. (SBU) While pro-government unions and garment factories have predictably endorsed the night shift proposal, it is noteworthy that FTU's typical allies are distancing themselves from the union's stance. Politically independent trade union Coalition of Cambodian Apparel Workers Democratic Union (CCAWDU) also opposes the reduction in night shift wages and spoke out against the measure at the Eighth Private Sector Working Group, but has said that they will not join the general strike. CCAWDU President Ath Thorn has said that the group may issue a statement condemning the measure if it is passed. Mu Sochua, the Secretary-General of the opposition Sam Rainsy Party, who is normally outspoken in favor of workers' concerns, was quoted in the press as saying that she recognizes that 200% is an "undue burden" for employers, and committed only to presenting workers' views during the National Assembly debate.

Comment

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¶8. (SBU) The FTU seems to be picking a fight it has little chance of winning. In May 2006, the FTU threatened to hold a general strike over the minimum wage--a more meritorious issue given that the rate had not changed in five years despite significant inflation. After achieving moderate success in raising the minimum wage rate by 11%, the FTU would now be hard pressed to find many workers willing to demonstrate on behalf of their few overly compensated sisters working at night. By threatening a general strike now, particularly after backing off of a similar threat last year, FTU president Chea Mony has pushed himself into a corner and risks being seen as a paper tiger if he does not follow through with the strike. In reality, Chea Mony is increasingly frustrated with labor politics and has told us several times that he wants to leave his post as FTU leader but is constrained by the lack of a successor.

MUSSOMELI